BOATING INDUSTRY

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SPECIAL REPORT
Sail Regroups

Where to Find the Right Software

Coping with a Buyers' Market

What You Need to Know About New Fishing Excise Tax

Three Ways to Package Sail

Small Boats Are Big Business for Olympic Marine

BOATING INDUSTRY

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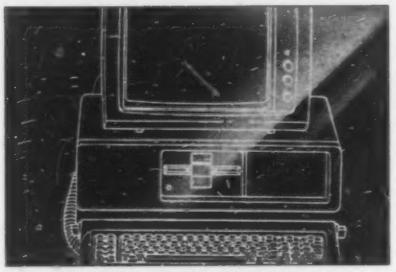
Olympic Boat Centers is BOATING INDUSTRY Magazine's choice as a super promoter and seller of small boats in its *Winners Circle Dealer Series*. The dealership's Seattle store on Puget Sound, one of four satellite operations, is featured on this month's cover. PHOTO: MICHAEL CRAFT



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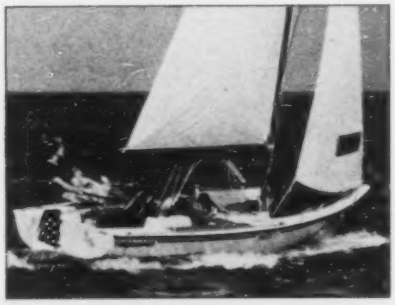

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Dave Keyes and Barry Mattain have turned Olympic Boat Centers in Seattle into a $18 million business. At the root of the dealerships' fantastic growth: Baylin-er's Capri boat line.

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The second installment in our continuing computer power series, shows dealers three simple, effective ways that computers can be used to help run their dealerships more efficiently.

33 How to Cope With a Buyers' Market

Until recently, product shortages and high inflation had given marine dealers the edge in striking a deal with prospective buyers. Now the tide has turned and the consumer is dealing from a position of strength.

36 SPECIAL REPORT: Sail Regroups

The sailing industry is determined to pursue an aggressive course in its quest to reverse the overall sales declines that continue to plague this segment of the recreational boating market. Top level sail conferences are already positioning the key elements in the industry's master strategy.

42 Three Ways to Package Sail

Certainly, packaging may not be for every dealer, but if you consider the products and expertise available to you, and the three distinct levels of experience that customers bring through the front door, there is surely added profit to be made by tailoring your sales to fit the situation.

SLUGGISH GROWTH
FALLEN HOPES

Sail Regroups

Where does the future lie? That is the key question for sail—a once thriving industry now in search of an identity, seeking remedies to sluggish growth and the countless travails of a declining market.

BY PETER MORTON COAN

The sailboat industry is an industry in crisis. Last year BOATING INDUSTRY reported that in 1983 sail had steered toward an upward course of growth—and it had. The only problem was that the course had been a slow and painful process, riddled in confusion especially since the national economy, was in its best shape in years. Of all sailboat categories, only auxillary-powered units, thirty-feet and over, saw an increase in sales in 1984. Every other category declined at a time when the powerboat industry was scoring record gains. Why?

This was the key question before the NMMA's American Sailing Council when its Board of Governors met at the New York Boat Show in January. The purpose of the meeting was to seek a firmer direction for the Council, and to consider how the Council might work more closely with the California-based American Sailing Association (ASA) and the New York-based States Yacht Racing Union (USYRU).

Two conclusions were drawn from the meeting. The first, it was agreed that the ASC support the above two sail organizations by "attracting more people into sailing through improved and expanded instruction and through development of a stronger network of sailing dealers."

It was also the consensus of the ASC "that the sailboat market clearly is in a decline or at best a holding pattern for a variety of reasons and that strong measures should be taken to correct the causes of the malaise."

To achieve this second objective, a special forum was held in Boston on February 12th attended by leading boat manufacturers, sailing schools, publications, plus the USYRU and the ASA. It was certainly the most significant gathering of the sailing industry in a decade. It was also the most productive, as attendees examined three basic areas of concern: the marketplace, the consumer, and the dealer. The concerns and potential remedies aired at that conference were eventually recorded in a report by George Rounds of the National Marine Manufacturers Association. The following is an analysis of the sail industry based on that report.

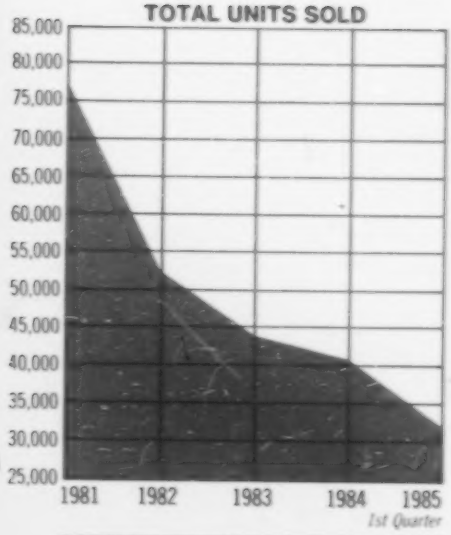
Marketplace

According to Rounds, boat imports from Europe are a key factor for sluggish domestic boat sales (particularly of auxiliary models), and partially due to favorable exchange rates and an oversold European market, but also due to new "exciting design changes" implemented by these boatbuilders. In addition, these European imports also cost less. As a result, European imports presently possess nearly 25 percent of the U.S. sail market.

Foreign competition then is one key factor, but another is the glut of used sailboats in the marketplace. When the economy began its upward turn in late '82, and powerboats became an attractive alternative once again due to reduced fuel cost, many sailors either traded-up, traded-out, or traded-over to powerboats. This left a massive number of used sailboats in the market. In Southern California alone, for instance, listings for previously owned auxiliaries in boating newspapers increased by 100 percent last year.

Many of these listings were for small sailboats, under thirty-feet—the hardest-hit segment of the sail industry today. Auxiliary-powered sailboats in this category have declined 10 percent every year for the past four years. And non-powered sailboats of all sizes have

PHOTO: BOUNDAS



The sailboat industry has declined at an alarming rate since 1981 prompting industry leaders to regroup.

declined even more. Only auxiliary-powered sailboats thirty-feet and over have shown small but steady increases.

This is problematic for American sailmakers and the sail industry in general, because small sailboats comprise the biggest chunk of product purchased by beginner sailors. And without beginner sailors the industry cannot grow.

It hasn't.

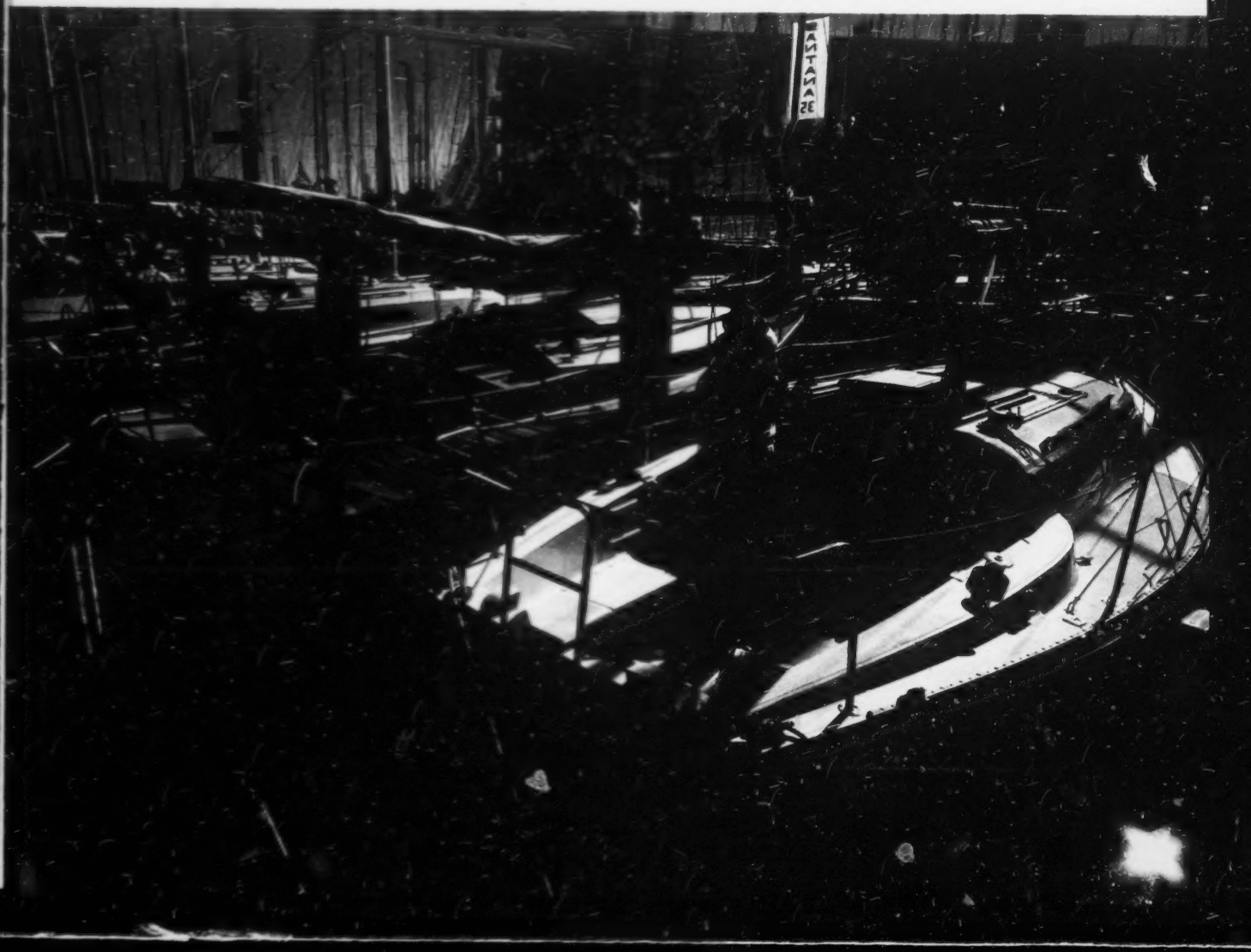
In fact, taking into consideration profits reaped from large models, the entire sailboat industry has been nearly cut in half since 1981. In that year, total units sold were approximately 80,000. In 1984, that figure was 40,750. And for 1985, profits look even bleaker, as first quarter reports indicate only 8,000 units shipped—a decline of 18 percent over last year's figures. At the present pace then, total units sold for 1985 will be approximately 32,000—the lowest figure in nearly twenty years. And you wonder why the sailboat industry is regrouping.

Dealers

Foreign competition and the glut of used product are two obvious reasons for the decline of the small sailboat market; but there are other, more subtle factors which have their root at the dealer level.

"The dealer has discovered, and rightly so, that he can profit more from selling one 36-footer than selling three 12-footers," said Rounds in his report to the American Sailing Council. "It's easier to sell one boat than to sell three."

But Rounds is also quick to point out it's not totally the fault of dealers. "Manufacturers have also found there is more profit in bigger boats than in the smaller one-design and



family daysailers," Rounds said. "The combination has resulted in fewer small boat dealers and fewer manufacturers. This, in turn, has led to a decline in promotions and advertising. Thus, the general public is seeing less information on small sailboats and is being wooed by the larger boats."

This emphasis has caused many sailboat dealers to become "considerably less aggressive than they might have been years ago", and are therefore "not creating new customers" vital to the growth of the industry. They are also "sailors rather than merchandisers," a further stumbling block to seducing beginners into the sport. These, for the most part, are "old-time dealers inclined to intimidate the neophyte with their talk of rigs, hardware, and sailing experiences."

This *besides-the-point* chatter is especially self-evident at boat shows where sales often become a secondary focus to swapping stories with prospective customers. It has been an oft-heard criticism of sailboat dealers that they fail to work a boat show properly, as say, their powerboat counterparts, and therefore waste the opportunity of the boat show venue, which is perhaps their best opportunity for selling product. It's also their best opportunity to hook the beginning sailor.

Perhaps the best way to seduce beginners into the sport is through proper sail instruction. The best example of this is the *boardsailing* market which "has found that if it teaches the sport properly, people will buy." The reason is that *sailboard* dealers, unlike sailboat dealers, tend to have schools set up at their shops. The consumer not only has the opportunity to buy the product, but to learn how to use that product—*immediately*. These sailboard dealers are trained by their respective manufacturers and tend to be younger and more aggressive THAN Sailboat retailers, realizing that small profits from beginner purchases and bigger profits from more advanced boardsailors, still translate into one bottom line: selling boards.

For the most part, commercial sailing schools do not adhere to this

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Sail Industry Fact Sheet

The following is BOATING INDUSTRY'S statistical report on the sailing business for 1984. All figures are estimates based on a variety of industry sources.

PEOPLE: It's estimated that 12.75 million people participated in sailing during 1984; a slight increase over 1983 statistics. This increase was not caused by new boat sales as much as participation by those using pre-existing models. As a result, the sailing population represents approximately 21 percent of the entire recreational boating market; the same figure as last year.

SAILBOAT POPULATION: It's estimated there were 1,200,000 sailing on American waters last year; a slight decline over 1983 figures in that new sailboat sales declined across all categories except auxiliary-powered sailboats, thirty-feet and over. The sailboat population represents approximately nine to ten percent of the boats in use in the country.

NEW SAILBOATS: Sales of new boats decreased from 43,740 in 1983 to 40,750 in 1984. Just to show you how the industry has declined—53,400 new boats were sold in 1982. On the other hand, dollar sales increased from approximately $385 million in 1983 to nearly $400 million last year, but this was due to an increase in prices, not an increase in units sold.

AUXILIARY-POWERED SAILBOATS, 30 FT. & OVER: Of the three major sailboat categories, this was the only one which saw improvement. Total unit sales increased from 2,450 in 1983 to 3,050 in 1984. Correspondingly, retail value increased from $211,765,700 in 1983 to $241,377,000 in 1984. However, average retail unit cost declined from $86,435 in 1983 to $79,140 last year.

AUXILIARY-POWERED SAILBOATS, 30 FT. & UNDER: This category declined in 1984 with total units sold of approximately 1,100—a decrease of 190 units. In addition, retail value decreased from $35,900,700 in 1983 to $33,827,000 in 1984. This despite the fact that the average retail unit cost increased from $27,830 in 1983 to $30,752 last year—but that was because the increase in prices did not keep pace with unit sales declines.

NON-POWERED SAILBOATS, ALL SIZES: This category suffered most last year with 36,600 total units sold; a decline of 3,400 units versus '83 figures. What also hurt this category was that the average retail unit cost increased from $2,876 in 1983 to $3,227 last year. That's a big jump. As a result, dramatic declines in units sold and dramatic increases in unit costs meant that total sales ($118,108,000) was approximately the same as 1983 figures.

SAILBOARDS: This category is tabulated separately from sailboats. In 1984, this industry sold approximately 43,000 units, a small increase over 1983 figures. In fact, while the sailboat industry has steadily declined (by small increments) the past few years, sailboarding has steadily increased—also by small increments.

MANUFACTURERS: There are approximately 480 firms making sailboats in the United States of which fifty are major producers. And of these fifty, many are feeling the bite of sluggish sales as they try to duplicate the success enjoyed by their powerboat manufacturer counterparts. In order to do this, some sail manufacturers have begun paying closer attention to the marketing methods employed by powerboat makers.

SAIL INSTRUCTION: At present, there are approximately 800 sail instruction facilities in the United States of which 350 are connected with boat dealerships or marinas, and another 450 connected with schools, sail associations and the like.

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orientation. In fact, what sail instruction they do offer is usually on larger 24 to 30-foot boats which has "encouraged newcomers to buy the larger boats rather than smaller sizes," or not to buy at all.

Almost invariably they've decided not to buy at all. And that's a shame, because instruction for both small and large boats has proven successful for increasing sales.

The Consumer

For the average American, sail is both glamourous and romantic as evidenced by a recent Neilson Report which showed "that 53 percent of Americans want to go sailing." The question is, do they really want to learn?

"We don't know," Rounds says. "The ASA in a survey of several hundred adults at shopping malls found that 77 percent of the public would like to learn to sail. Some 80 percent of the U.S. population lives near waters that are suitable for sailing. Where are these customers?"

For the most part they're on land or in powerboats because the survey also revealed that these customers "perceive the sport as expensive, difficult to learn, and elitest." Today, the typical person to whom sailing appeals—a family man, 35 to 45, earning $50,000 to $65,000—has trouble justifying the amount of time and expense required to enjoy this leisure activity when numerous alternatives await him—camping and fishing, health clubs and tennis—activities which are both widely available and comparatively less to participate.

Tops among this list of course is boardsailing, which many marine analysts consider the greatest competition for the sailboat industry.

Said George Rounds: "A recent survey by Windglider Magazine showed that the typical sailboard buyer is between 25 and 45 years of age. They earn between $45,000 and $62,000 yearly, and plan to stick with boardsailing for the next ten years. They, unlike their sailing school counterparts, are split about evenly between men and women.

Perhaps the best way to seduce first-time buyers/beginners into sail, is through proper sail instruction.

Consider the minimal investment and the ease with which boardsailing can be done, and it is easy to see why they have chosen this as their sailing activity rather than larger boats."

The Remedies

At their Boston meeting, the American Sailing Council considered several potential solutions to reverse the industry's malaise and re-orient mass America to the virtues of sail. It was generally agreed that no one remedy would do the trick, and that, in fact, an entire image-overhaul was necessary. What follows is an abbreviated list from Rounds' report of all of the initiatives to be undertaken by the ASC to achieve this goal:

1. Establishment of an "800 number" to refer people to sailing schools around the country.
2. Publication of a generic book on sailing to cover the main objections of expense, difficulty, and "elitest" sport.
3. Publication of a guide to establish community sailing programs based on successful ones in Wilmette and Evanston, Illinois, and Mission Bay in San Diego.
4. Contracting articles on the benefits of sail and placement of same in leading non-boating consumer magazines.
5. Support of dealer training seminars conducted by the American Sailing Association and possible future establishment of a series of clinics for sailing dealers.
6. An education program aimed at the general press to encourage additional coverage of sailing.
7. Creation of a "sail-in" for key media people to expose them to sailing with an emphasis on how easy it is to learn.
8. The creation of a trail booth at major sailboat shows where consumers can obtain information on sailing, how to get into it, and how to select a boat, plus distribution of the generic sailing book.
9. Exhibits at recreation trade shows and parks to promote the establishment of community sailing programs using the sail program guidebook as the key piece, but also including displays of boats.
10. Establishment of possible promotional activities such as a "National Sailing Week" declared by Congress, getting stories placed on children's programs and the PM Magazine television show, and media events such as pro/amateur races and celebrity sail races.
11. Possible consolidation of sailboat exhibits at NMMA shows.
12. Possible establishment of a national sailing instructor certification program.

Conclusion

It was planned that the above initiatives would be brought before the NMMA's board of directors for special funding and then instituted within the next two years. Whether all of these initiatives will go into effect, or how successful they will be, depends on many factors. It is unlikely that all of them are sufficient to turn the industry about-face. And it's unlikely that all of this will occur within 24 months. Changing the *image* of an entire industry takes time. It takes years. But at least it's a start. □